

MINUTES OF A
JOINT MEETING
OF THE
INVESTMENT POLICY COMMITTEE
AND
EMERGING MANAGER COMMITTEE
HELD
THURSDAY, DECEMBER 15, 2011 – 2:30 P.M.

Present: Investment Policy Committee
Members

Roderick Bashir
Devon Bruce
Michele Bush
John Casey
Thomas Hoffman

Emerging Manager Committee
Members

Roderick Bashir
James Clayborne
John Casey

Board Members

Fred Montgomery

Staff

William Atwood
Johara El-Harazin
Tim Kominiarek
Scott Richards
Linsey Schoemehl
Lorna Scott
Katherine Spinato

Guests

Marquette Associates
Brian Wrubel, Elizabeth Francis
Franklin Park
Brad Atkins
Chicago Equity Partners
Pat Lynch, Mike Millhouse
LM Capital
Luis Maizel, Richard Deary
Garcia Hamilton
Gil Garcia, Jeff Ditwiler
Wellington Management
Mark Sullivan, Richard Gilmartin, Daniel Sharp

Absent: Emerging Manager Committee
Members

Dan Rutherford
Judy Baar Topinka

ROLL CALL

Chairman Bruce called the meeting to order at 2:35 p.m. The Secretary called the roll and noted that a quorum was present.

ELECTION OF CHAIRMAN

Investment Policy Committee

Mr. Bashir moved to nominate Judge Hoffman as Chairman of the Investment Policy Committee. Mr. Casey seconded and the motion passed unanimously. There being no further nominations, Mr. Bashir moved to elect Judge Hoffman Chairman of the Investment Policy Committee. Mr. Casey seconded and the motion passed unanimously.

Emerging Manager Committee

Mr. Bashir moved to nominate Senator Clayborne as Chairman of the Emerging Manager Committee. Judge Hoffman seconded and the motion passed unanimously. There being no further nominations, Mr. Bashir moved to elect Senator Clayborne Chairman of the Emerging Manager Committee. Judge Hoffman seconded and the motion passed unanimously.

MINUTES OF PREVIOUS MEETING

Mr. Bashir moved to approve the minutes of the Investment Policy Committee meetings held July 10, 2009 and December 3, 2009 and the Emerging Manager Committee meeting held June 23, 2011, in the forms previously submitted. Mr. Casey seconded and the motion passed unanimously.

REPORT OF CONSULTANT – MARQUETTE ASSOCAITES

Review and Recommendation for Mid-Cap Growth Manager

Mr. Wrubel referred the members to a memorandum "Mid-Cap Growth Index Option" dated December 5, 2011 and reviewed. Following review, Mr. Bashir moved to approve the recommendation of Staff and Consultant to engage State Street Global Advisors to manage a mid-cap growth mandate portfolio of approximately \$450 million, subject to successful contract negotiations. Judge Hoffman seconded and the motion passed unanimously. (Official minutes contain attachment.)

PRESENTATIONS

International Fixed Income

Director Atwood referred to the Marquette Associates representatives. Mr. Wrubel stated that a written report had previously been distributed; "Global Fixed Income Search" dated September 30, 2011. (Official minutes contain attachment.)

Messrs. Sharp, Sullivan and Gilmartin, Wellington Management Company, were invited to join the meeting. Following introductions, written copies of the presentation were distributed. Following review and answering questions posed by the Members, the Wellington representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

Ms. Schoemehl reported that there were no political contribution or ownership disclosures.

Detailed discussion ensued following Mr. Montgomery's concern regarding the timing of making a global commitment. Following the discussion, Mr. Casey moved to recommend to the Board approval of Staff and Consultant's recommendation to allocate approximately \$350 million to Wellington Management for a global fixed income mandate, subject to successful contract negotiations. Senator Clayborne seconded and the motion passed unanimously.

REVIEW OF FIXED INCOME MANAGERS

Chicago Equity Partners

Messrs. Lynch and Millhouse, Chicago Equity Partners, were invited to join the meeting. Following introductions, written copies of the presentation were distributed. Following review and answering questions posed by the Members, the Chicago Equity Partners representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

LM Capital

Messrs. Maizel and Deary, LM Capital, were invited to join the meeting. Following introductions, written copies of the presentation were distributed. Following review and answering questions posed by the Members, the LM Capital representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

Garcia Hamilton

Messrs. Garcia and Ditwiler, Garcia Hamilton, were invited to join the meeting. Following introductions, written copies of the presentation were distributed. Following review and answering questions posed by the Members, the Garcia Hamilton

representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

PRIVATE EQUITY

Report of Consultant – Franklin Park

Director Atwood referred the Board Members to two memoranda “Venture Capital – Franklin Park Recommendation” dated December 5, 2011. Mr. Kominiarek reviewed and stated that Staff recommended investments of \$10 million to the FP Venture Fund 2012, L.P. and \$10 million to the FP International Fund 2012. (Official minutes contain attachment.)

Brad Atkins, Franklin Park, joined the meeting. Mr. Atkins referred the members to reports “FP International Fund 2012” and “FP Venture Fund 2012” dated December 15, 2011 and reviewed. (Official minutes contain attachments.)

Mr. Atkins reported that Staff and Consultant had reviewed and were prepared to recommend a \$100 commitment to the Thoma Bravo X, L.P. However, due to the fund being oversubscribed, a commitment of only \$15 million was available. Mr. Atkins stated that this commitment level was too small and that Staff and Consultant were looking for other opportunities, including any emerging/minority funds.

Mr. Montgomery reported that he had met with Franklin Park representatives and had an educational and informative review of private equity.

Ms. Schoemehl reported that there were no ownership or political contribution disclosures.

Following review, Senator Clayborne moved to recommend to the Board, the recommendation of Staff and Consultant to commit \$10 million to the FP Venture Fund 2012 and \$10 million to the FP International Fund 2012, subject to successful contract negotiations. Mr. Casey seconded and the motion passed unanimously.

UPDATE ON REAL ESTATE MUTL-FAMILY RFP

Director Atwood distributed a memorandum “Value-Added Multifamily RFP/Real Estate Status” dated December 5, 2011. Mr. Kominiarek reviewed and stated that Staff recommended cancelling the RFP for value-added, multi-family real estate investment services and to no longer pursue such an investment at this time.

Following discussion, Ms. Bush moved to recommend to the Board cancelling the Value-Added Multi-Family Real Estate RFP. Mr. Casey seconded and the motion passed unanimously. (Official minutes contain attachment.)

REVIEW OF EMERGING MANAGER PROGRAM

Mr. Wrubel, Marquette Associates, referred to and reviewed the "Emerging & Minority Program Review" report dated October 31, 2011, which was previously distributed. (Official minutes contain attachment.)

Ms. El-Harazin referred to the "Emerging Manager Program" report dated October 11, 2011, which was previously distributed and reviewed the "Bullpen" process being created to select and monitor 12 emerging managers. Ms. El-Harazin reported that Staff will provide a quarterly update to the Emerging Manager Committee. (Official minutes contain attachment.)

Ms. El-Harazin referred the Members to a memorandum "Minority and Illinois Brokers and Investment Managers Policy" dated December 4, 2011, which was previously distributed. Ms. El-Harazin reviewed and stated that staff was recommending revisions to the Policy as outlined. Following detailed review and discussion, Mr. Bashir moved to approve the Minority and Illinois Brokers and Investment Managers Policy as recommended by Staff. Mr. Casey seconded and the motion passed unanimously. (Official minutes contain attachment.)

UNFINISHED BUSINESS

None.

NEW BUSINESS


None.

NEXT MEETING AND ADJOURNMENT

Chairman Bruce stated that the next meetings of the Emerging Manager Committee and the Investment Policy Committee would be scheduled in the future and all Board Members would be notified.

At 5:00 p.m., there being no further business to come before the Committee, Mr. Bashir moved to adjourn. Senator Clayborne seconded and the meeting was adjourned.

Respectfully submitted,



James Clayborne, Chairman
Emerging Manager Committee



Thomas E. Hoffman, Chairman
Investment Policy Committee



Devon Bruce, Chairman
Illinois State Board of Investment